

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MICHIGAN**

In the Matter of:

**MCPHILLIPS FLYING SERVICE, INC.,
d/b/a Island Airways,**

Case No. BT 25-02011
Chapter 11- Subchapter V
Hon. James W. Boyd

Debtor.

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**DECLARATION OF ANGELA LEFEVRE-WELKE
IN SUPPORT OF CHAPTER 11 PETITION AND FIRST DAY MOTIONS**

I, ANGELA LEFEVRE-WELKE, declare under penalty of perjury pursuant to 28 U.S.C. § 1746 as follows:

1. I am the President of McPhillips Flying Service, Inc. (the “**Debtor**” or “**McPhillips**” or “**Island Airways**”), and I submit this Declaration to assist the Court and other parties in interest in understanding the circumstances that compelled the Debtor to commence its Chapter 11 case and in support of (i) the Debtor’s petition for relief under Chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) and (ii) the relief requested by the Debtor pursuant to various motions filed contemporaneously herewith (collectively, the “**First Day Motions**”).

2. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the Debtor’s senior management, financial advisors from Distel Thiede Advisory Services LLC including Dave Distel and Matthew Thiede, bankruptcy attorneys A. Todd Almassian, Greg Ekdahl, and Sarah A. LaSata, my review of relevant documents, and my opinion based upon my experience, knowledge, and information concerning the Debtor’s operations and financial affairs. If called upon to testify, I would testify

competently to the facts set forth in this Declaration. The Debtor has authorized me to submit this Declaration on its behalf.

3. Further, I have reviewed generally the First Day Motions and affirm that the facts set forth therein are true and correct to the best of my knowledge.

BACKGROUND

Corporate Structure.

4. McPhillips provides on-demand (non-scheduled) passenger flight, freight delivery and distribution, and emergency medical evacuation flights and services for Beaver Island and Charlevoix.

5. The Debtor is owned by Paul Welke.

Business History.

6. McPhillips Flying Service was established by Joe McPhillips in 1945 to start an air mail service from Charlevoix to Beaver Island.

7. The McPhillips family ran this business until 1978.

8. In 1965 the Welke family purchased farmland on Beaver Island and in the early 1970's the Welke family converted the farmland into a landing strip subsequently turning it into a licensed airport ("**Welke Airport**").

9. The Welke Airport is privately owned but open to the public as a public use airport.

10. In 1975, the Welke family established Welke Aviation.

11. Welke Aviation started with one twin engine Piper Apache and within a year Welke Aviation was operating 4-5 twin engine aircraft.

12. In 1983, McPhillips Flying Service and Welke Aviation merged to form McPhillips Flying Service, Inc. d/b/a Island Airways and Welke Aviation. The company operates one of the largest fleets of Britten Norman Islanders within the United States.

13. In 1989, Paul Welke purchased all stock of the remaining partners.

14. In 2001, Paul Welke received the Michigan Sheriff's Association Life Saving Award for searching for and discovering the wreckage of an aircraft accident on Beaver Island. There were four survivors who had struggled to survive overnight in February. The survivors were a mother and her three kids aged 5-12. Paul was able to send ground rescuers to the site. Approximately 15 years later, Paul became a wedding officiant so he could perform the wedding ceremony for one of the survivors.

15. In 2016, Paul Welke received the Wright Brothers "Master Pilot" Award and The Charles Taylor Master Mechanic Award from the Department of Federal Aviation Administration. The Wright Brothers "Master Pilot" Award recognizes a pilot's professionalism, skill, and expertise in aviation and 50 years of flight. The Charles Taylor Master Mechanic Award recognizes individuals with 50 or more years of aviation maintenance experience. As of February 2024, only 1,000 pilots have received both awards. (See Attached **Exhibit A**).

16. As of 2025, McPhillips has been continuously providing air mail service to Beaver Island since 1945, making it the longest airmail service in the continental United States.

17. In 2025, McPhillips celebrated its 80th anniversary and Welke Aviation celebrated its 50th anniversary.

Business Operations.

18. The company currently has approximately 15 full-time employees and 10 part-time and seasonal employees that are employed during peak times of production.

19. The Debtor's business headquarters is 111 Airport Drive, Charlevoix, MI 49720. The Debtor leases this location from the City of Charlevoix. The Debtor leases a hangar, freight room, and office space.

20. McPhillips' FAA operating certificate is based at 36155 East Side Drive, Beaver Island, MI 49782.

21. The Debtor leases the property at 36155 East Side Drive, Beaver Island MI 49782 from Paul Welke and Angela LeFevre-Welke (collectively "**Welkes**"). This is the address of the main maintenance facility for McPhillips and is one of several addresses that when combined form the entirety of Welke Airport (6Y8 – airport identifier). Welke Airport hosts a large maintenance hangar, a parking lot for customer cars, an engine shop hangar, a cold storage/equipment storage hangar, and a terminal building.

Beaver Island Community

22. McPhillips has bases in Beaver Island and Charlevoix.

23. McPhillips has tailored its services to the unique needs of Beaver Island, which is the most remote, inhabited island in the continental United States.

24. Beaver Island is situated in Lake Michigan in Northern Michigan, and is subjected to freezing winter temperatures, which make Lake Michigan impassable by ferry boat in the winter months.

25. Beaver Island has a population of approximately 750 residents with 600 year-round residents. The population fluctuates significantly during the summer months, with approximately 1,000 total residents during the summer months. Residents and visitors can total 3,000 to 4,000 people during the peak summer season.

26. Aside from business services provided by McPhillips, the Welkes are personally very active on Beaver Island. Paul Welke has served on many boards and in several elected positions including, but not limited to: Peaine Township trustee, member of the Planning Commission, member of the Road Commission Committee, member of the Transfer Station Board, member of the Telecommunications Commission. I have been involved in many Beaver Island

organizations, including, as the President of the school board, as the Secretary of the Chamber of Commerce, and as the President of the Beaver Island Historical Society, and Vice Chair of the Beaver Island Irish Heritage Group.

27. Generally, the services McPhillips provides Beaver Island can be roughly divided into three categories: passenger transport, medical evacuation flight and emergency services support, and freight transport.

Passenger Transportation Services

28. McPhillips provides transportation for island residents and visitors year-round, with a base on Beaver Island, and a mainland base in Charlevoix, Michigan. On average, McPhillips transports 27,000 to 30,000 passengers annually.

29. McPhillips is not the only method of transportation to and from the island, a ferry boat and another aviation company service Beaver Island. However, the ferry ride to the island is much longer than the flight, making it often unfavorable to island visitors. The ferry is inoperable in the wintertime, due to low temperatures and icy conditions. The other aviation company services Beaver Island but is not based on or focused on Beaver Island. It focuses its services on other islands and locations including, St. Ignace, Mackinac Island, and Bois Blanc Island. The other aviation company does not perform nearly as much business on Beaver Island as McPhillips and does not provide the same services beyond passenger transport. For comparison, McPhillips transports 27,000 to 30,000 passengers annually, the other aviation company transports approximately 5,000 passengers annually.

30. McPhillips charges \$152 per adult round trip ticket and \$0.35 per pound of freight.

31. Perhaps the most unique feature of McPhillips' passenger transport services is McPhillips' passenger transport contract with the island school. Beaver Island has a K-12 grade school on the island with approximately 60 students. McPhillips provides all transportation for the

school including teacher transport to training, field trips on the mainland, all food for the breakfast and lunch programs, sporting events (co-ed soccer, girls' and boys' basketball, and girls' volleyball). On a typical weekend McPhillips takes the island teams to their away games (for example to Mackinac Island or Escanaba). McPhillips drops the teams off for their games and returns the following day to retrieve the teams. McPhillips also flies the opposing teams to Beaver Island for home games on the Island. These transports typically happen August – November and January – March.

Emergency Services

32. Perhaps the most specialized and critical service offered by McPhillips is its emergency services. McPhillips is the only air ambulance service on the island. On average, McPhillips performs 30-40 medical evacuations annually. McPhillips has unquestionably saved lives through this service, as it has been able to swiftly evacuate residents and visitors suffering from heart attacks and strokes within the golden hour to increase survivability. Beaver Island has a small medical clinic that is not equipped for high level emergencies. Quick transportation to Charlevoix is necessary to save lives.

33. McPhillips supports water rescue and fire extinguishing efforts on and around Beaver Island. McPhillips works closely with Beaver Island EMS, Beaver Island Fire Department, and the Charlevoix County Sheriff Department to assist in search and rescue.

34. In the last two years, the McPhillips crew have participated in the search for and successful rescue of missing boaters and kayakers in approximately 30 separate incidents.

35. As recently as June 30, 2025, McPhillips was called to North Fox Island (an uninhabited island in the Beaver Archipelago with a grass runway, popular for remote camping). A pilot landed and his plane got stuck in the mud. McPhillips sent one of its pilots to overfly North Fox Island to assess the situation and talk to the folks on the ground to assess for

injuries, substantial damage, and what needed to be done. After several hours and multiple overflights, the pilot was able to get the plane out and fly to Beaver Island. Paul Welke and Angela LeFevre-Welke spent time with the pilot assessing the situation and what still needed to be done. The runway on North Fox Island was damaged and Paul communicated with the Fox Island Airport manager so the runway could close, and no more planes could get into trouble trying to land there. There were several individuals stranded on North Fox Island. With the assistance of McPhillips and the other various Beaver Island rescue teams, the stranded individuals were eventually rescued by a private boat.

36. In the event of widespread fire, McPhillips is able to fly over the fire and provide updates to ground support. McPhillips assists with the extinguishment efforts of approximately 5-10 fires annually.

37. McPhillips supports the Beaver Island community through winter storms. In March 2025, Beaver Island and northern Michigan generally, was hit with an ice storm dubbed the “storm of the century.” Governor Whitmer declared a state of emergency on March 31, 2025. Beaver Island did not have full power restored until April 13, 2025. During the power outage, McPhillips transported essential items to Beaver Island, like perishable freight, prescriptions, emergency food and water supplies, power generators, and urgent power restoration items. The ice storm coincided with the Island’s school’s spring break. McPhillips transported students and teachers stranded on the mainland after spring break back to Beaver Island.

Freight Transport

38. McPhillips offers extensive freight transport services. On average, McPhillips hauls 1.7 million pounds of freight to the island annually.

39. McPhillips has contracts with the United States Postal Service, UPS, and FedEx. McPhillips transports freight on behalf of these three mailing entities 6-7 days per week.

40. In the winter months, McPhillips is the exclusive freight transport service on Beaver Island.

41. In the winter season (November through April) in an average day, McPhillips makes about 7-10 round trip flights per day including 2-4 round trip exclusive freight hauls per day and hauls approximately: 90-100 UPS packages daily; 35-45 FedEx packages daily; 10-15 prescriptions; and 120-200 pounds of US mail. In the peak season (May through October) in an average day, McPhillips makes about 15-20 round trip flights per day including 4-6 round trip exclusive freight hauls per day and hauls approximately: 200+ UPS packages; 50-75 FedEx packages; 25-30 prescriptions; and 200-300 pounds of US mail.

42. McPhillips transports not only traditional freight, like mail and packages, but supports the island by transporting food and medical supplies.

43. During the 2024 winter season, there were several days when McPhillips hauled over 10,000 pounds of perishable food to the island. On average during the winter months McPhillips transports 2,500 to 3,500 in perishable food daily. Food suppliers deliver directly to the McPhillips' Charlevoix hanger and McPhillips processes and loads the perishable food directly on to its planes. McPhillips' transports supply not only the island grocery store, but also the island restaurants, and school meal programs.

44. Beaver Island has a small medical center but no pharmacy. Six to seven days a week, a McPhillips' employee located in Charlevoix drives to two separate pharmacies to fill prescriptions. McPhillips then transports the prescriptions to the Island and notifies the proper prescription recipients. McPhillips also makes a daily trip to transport all lab work from the island medical center to the mainland for testing at the Charlevoix hospital.

Events Leading To Chapter 11 Filing

45. On April 28, 2022, Robert T. Kendall III and Robert T. Kendall IV, individually and as Co-Personal Representatives of the Estate of Adam Welford Kendall, Deceased, filed a lawsuit against McPhillips in the 33rd Circuit Court for the County of Charlevoix. The lawsuit arises from an airplane crash that occurred on November 13, 2021, near Welke Airport on Beaver Island. Of the five occupants, four perished including the pilot and three passengers. The Plaintiffs filed the lawsuit alleging negligence against Island Airways.

46. The Estate Representatives for the other passengers settled for their respective pro-rata share of the insurance proceeds.

47. Despite years of discovery, settlement negotiations, and a Mediation with a retired bankruptcy judge, it appears nothing short of removal of the owners and liquidation of the company will satisfy Plaintiff.

FIRST DAY MOTIONS

48. To minimize the adverse effects of the commencement of its Chapter 11 case on its business and employees, the Debtor will file several First Day Motions with this Court.

49. I have reviewed the First Day Motions and believe the facts set forth therein are true and correct to the best of my knowledge. I believe that the relief requested in each of the First Day Motions is necessary, appropriate, and is in the best interest of the Debtor's estate, creditors, and other parties in interest.

A. Cash Collateral Motion.

50. Through the Cash Collateral Motion, the Debtor seeks Court approval to use cash in which the Secured Lenders (as defined in such motion) may assert a lien (the "**Cash Collateral**"). Such cash collateral consists primarily of cash on hand plus the normal income received from the Debtor's customers.

B. Employee Wages Motion.

51. In the ordinary course of its business, the Debtor incurs payroll obligations to its employees (the “**Employees**”). The Debtor employs approximately 25 employees. The employees perform critical functions for day-to-day business operations. Payroll is made bi-weekly.

52. The insider employees to be paid wages are Angela LeFevre-Welke and Paul Welke. Angela will be paid a gross annual salary of \$100,000.00. Paul will be paid a gross annual salary of \$50,000.00. The Welkes have received these salaries for a number of years but have at times been paid less as cash flow has dictated.

53. The Debtor’s records indicate that the amount of Prepetition Compensation and Prepetition Benefits owing to or on account of any one particular Employee will not exceed the sum of \$15,500.00 allowable as a priority claim under Sections 507(a)(4) and (a)(5) of the Bankruptcy Code. All employee wages are current (all payments issued).

C. Utilities Motion.

54. Debtor has relationships with several utility companies (collectively, “**Utility Companies**”) for the provision of telephone, electric, gas, water, sewer, waste management, and similar utility services. Any interruption of utility service would severely disrupt and diminish the Debtor’s chance for a successful reorganization. Accordingly, the Debtor requests the Court enter an order (a) prohibiting the Utility Companies from altering or discontinuing utility services based upon the Chapter 11 filing, and (b) establishing procedures as described in the Utilities Motion for determining requests for assurance of payment.

D. Claims Deadline Motion.

55. There are approximately 6 general unsecured creditors. The Debtor has marked only one claim as contingent, unliquidated, and disputed. The Debtor requests the Court enter an order to establish the dates by which claims must be filed.

Conclusion.

56. I believe the relief sought in the First Day Motions is necessary for the Debtor to effectuate a smooth transition into Chapter 11 bankruptcy, to avoid irreparable harm to its business and estate, and is in the best interest of the Debtor's creditors, estates, and other stakeholders.

57. Accordingly, for the reasons stated herein and in each of the First Day Motions, I respectfully request that each of the First Day Motions be granted in their entirety, together with such further relief as the Court deems just and proper.

Dated: July 15, 2025

/s/ Angela LeFevre-Welke

Angela LeFevre-Welke
President
McPhillips Flying Service, Inc.

EXHIBIT A

News-Review

CHARLEVOIX

Beaver Island pilot honored with two prestigious FAA awards

Lonnie Allen (231) 547-6558 - lallen@charlevoixcourier.com The Petoskey News-Review

May 18, 2016, 7:16 a.m. ET

CHARLEVOIX — A Beaver Island pilot was honored with the most prestigious award given by the Federal Aviation Administration — recognizing half a century of flight during a ceremony at the Charlevoix Municipal Airport on May 11.

Paul Welke, of Island Airways, was presented with the Wright Brothers Master Pilot Award Award and the Charles Taylor Master Mechanic Award in front of family, friends, city officials and fellow pilots in the airport's hangar last Tuesday.

“Just in awe,” Welke said. “This is more overwhelming than I could have imagined. I didn’t even know these awards existed.”

The award recognizes professionalism, skill and expertise in aviation and 50 years of flight. These awards are the highest aviation awards given to civilians and recognize pilots for maintaining safe operations.

“It is certainly very humbling,” Welke said.

Welke was presented with a lapel pin, a Blue Ribbon award documenting his flight history and a plaque for his aviation service. Welke also reassured those in attendance that this celebration was no retirement party.

“I’m not going anywhere,” Welke said. “I still will be flying because there is no other place I’d rather be. I enjoy what I'm doing.”

Island Airways uses the same airstrip Welke grew up using to land the family

plane. He soloed his first flight at 16 years old in 1965. He became a private pilot as a cadet in 1967 in a L16 and Welke got his commercial rating in 1972.

For his first flying job in 1972 he was paid \$3 per flight, said wife, Angel Welke. "Anyone who has known Paul for a long time would know that aviation is his life."

In the last eight years, Welke has flown nearly 5,000 hours and been on duty more than 14,000 hours. He has done 13,246 landings and takeoffs and in his total career flown more than 32,000 hours and an estimated 100,000 career landings and takeoffs, Angel said.

Welke's connection to Beaver Island has fostered some deep relationships with island year-round and summer residents.

"Nearly everyone on the island has a Paul story," Angel said. "I think practically everyone can say he flew this family member off or themselves for one reason or another. That's just Paul. The phone goes off at 2 a.m. and he is flying."

One family that attended the ceremony recalled how Welke risked his own safety to search for family who was on a charter plane that went down on the island in the winter of 2001.

"He saved myself and our three kids and asked for nothing in return," said Mirth Gault, who was on board the flight that stormy February day. "He is a very special person to our family."

Not knowing if anyone was looking for them was beginning to take its toll on Mirth, she added.

"I was just about to give up," she said. "It was 15 hours since we crashed and then Paul's plane flew over us."

Before Welke began the search, the storm had grounded the U.S. Coast Guard, said Robert Gault.

“The weather was so bad they would not go up,” Gault said. “But Paul stood next to his plane on the runway and waited for a break the clouds break and he went up.”

Gault describes the situation as desperate and time was not on their side. The weather was drastically getting worse. Temperatures at the time of the crash were around 36 degrees. By the time Welke was able to get in the air 15 hours later it was snowing far worse than before and the temperatures had plummeted to 17 degrees and were still declining, Gault said.

“God was on our side,” he said. “If Paul didn’t find them when he did, they would have died in the plane, that night. The next day, after the rescue the snow covered the plane. Without Paul, I would have been without my family. To think about how desperate that situation was and for him to go up in that weather is just selfless.”

The Gault family said Paul’s honor and recognition from the FAA is well deserved.

“He is the most humble guy you will meet,” Gault said. “If anyone deserves these two awards, it is Paul Welke.”

Welke now joins the ranks of Chuck Yeager and Neil Armstrong, who are also recipients of the award.

